GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3873
ANSWERED ON:24.03.2017
Benefits to Consumers
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that banks have chosen to pass on less than half the benefit to consumers despite the RBI reduced base points;

(b) if so, the details thereof;

(c) whether the Government has taken any steps to ensure that the banks give the benefits of new base rates to their customers; and

(d) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance

(a) & (b): Reserve Bank of India (RBI) has deregulated the interest rate on advances sanctioned by Scheduled Commercial Banks (excluding Regional Rural Banks) and these interest rates are determined by banks with the approval of their respective Board of Directors subject to regulatory guidelines on interest rate on advances issued by RBI from time to time. In terms of extant guidelines, which came into effect from April 1, 2016, banks have to compute actual interest rates on advances by adding the components of spread to the Marginal Cost of Funds based Lending Rate (MCLR) which will be the internal benchmark for such purpose.

(c) & (d) RBI instructions on interest rate on advances regarding MCLR system are applicable to all rupee loans sanctioned and credit limits renewed w.e.f. April 1, 2016. Existing loans and credit limits linked to the Base Rate/ BPLR shall continue till repayment or renewal, as the case may be. Further, existing borrowers linked to BPLR/ Base Rate shall have the option to move to the Marginal Cost of Funds based Lending Rate (MCLR) linked loan at mutually acceptable terms.
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